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19 October 1951

MEMORANDUM

cc: [REDACTED]

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TO: General Robert Cutler

FROM: William H. Godel

SUBJECT: The question of the role of PSB in the use of the "Defector Funds" authorized in the Mutual Security Act 1951

1. Section 101 (a) (1) of the Mutual Security Act of 1951 authorizes to be appropriated to the President not to exceed \$5,028,000,000 for assistance pursuant to the Mutual Defense Assistance Act (military assistance),

"...and not to exceed \$100,000,000 of such appropriation for any selected persons who are residing in or escapees from the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Lithuania, Latvia, and Estonia, or the Communist dominated or Communist occupied areas of Germany and Austria, and any other countries absorbed by the Soviet Union either to form such persons into elements of the military forces supporting the North Atlantic Treaty Organization or for other purposes, when it is similarly determined by the President that such assistance will contribute to the defense of the North Atlantic area and to the security of the United States."

2. Before any part of the \$100,000,000 referred to can be used for the purpose indicated in the statute, the President must decide (a) that such use will contribute to the defense of the North Atlantic area and to the security of the United States, and (b) the extent to which the \$5,028,000,000 is to be invaded.

In considering these preliminary questions, it will be recalled:

- (1) the Act provides less money in the military and economic categories than was requested;
- (2) the military portion of the funds is burdened with infrastructure costs of \$60,-\$80,000,000 not planned for in the original requests;
- (3) the right in the President to switch up to 10% between military and economic categories.

3. There are at least three groups of individuals affected by this Act:

A. Defectors

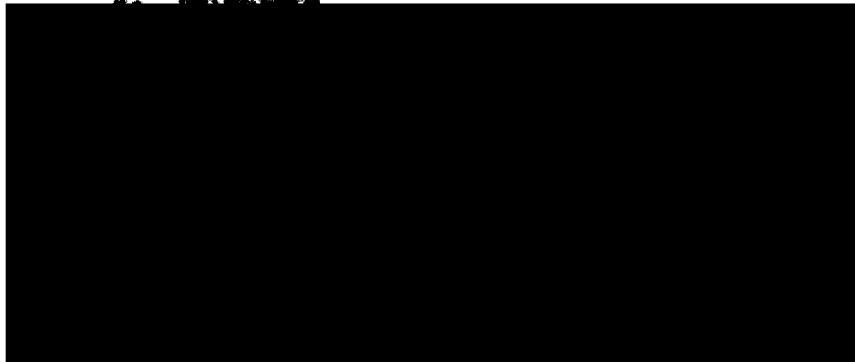
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## A. Defectors



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## B. Refugees

Refugees are generally classified as all other persons who escape from Iron Curtain countries, including both displaced and merely displaced personnel from within these countries. However, the terminology of NSC 56/1 differs from that in NSC 13 insofar as the definition of "Defectors" has been broadened to include virtually all of these people. It is noteworthy that despite the fact that all of these people do not, at the present time, come into the hands of the American authorities in the U.S. zones in Germany and Austria, it is estimated that some fifteen hundred per month are crossing the border.

## C. Potential guerrillas now resident in the Iron Curtain countries

Despite the fact that there is very little penetration into the Iron Curtain countries directed at the discovery of potential dissidence and possible guerrilla or partisan movements within these countries, the Department of Defense considers that the potentially exploitable personnel in both the satellite countries and the Soviet Union itself may number in the hundreds of thousands.

4. The following agencies may have an interest in the utilization of these funds:

- A. The Office of the President
- B. The Mutual Security Administration
- C. The Department of State
- D. The Department of Defense, particularly the Department of the Army, Department of the Air Force, and SHAPE
- E. The Bureau of Immigration
- F. Central Intelligence Agency
- G. Displaced Persons Commission

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6. Central Intelligence Agency, Department of the Army, and SHAPE Headquarters all have an interest in the exploitation of the guerrilla potential in both the satellite states and the Soviet Union. At the present time, however, the development of this potential is limited by the limited flow of defectors, the absence of adequate facilities for cover, and the difficulty in making necessary covert contacts behind the Iron Curtain. The terminology of the Mutual Security Act cited above clearly authorizes U. S. exploitation of this potential in the words (persons) "...residing in, or escaping from...".

7. The International Relief Organization, an agency of the United Nations, was established at the end of World War II to provide a means of resettling and relocating the several million displaced persons who were a by-product of the War. This organization was officially discontinued on 1 October 1951 and is completing its operations. It expects to complete the rehabilitation of the people now in its camps, but has no facilities for handling any who may arrive in the future. Disaffected personnel who come across the international boundary at present have therefore no organization to which they can turn for support. As a result they have descended upon the German and Austrian economy to the extent that both European and American officials are faced with the urgent problem of resettling or turning these people back to Iron Curtain countries. In fact, most such refugees are refused entry into the Western Zones at this time. A similar situation obtains in Trieste and Yugoslavia.

Very limited facilities for handling such refugees are contemplated in the formation of an ad hoc Committee with up to \$30,000,000 in funds - one-third contributed by the United States, one-third by those countries who have excess refugees, and one-third by those countries who have facilities for accepting such refugees. It is unlikely that this Committee will be able to cope with the problem on a long-term basis.

8. To the extent that all of these groups are inadequately received and improperly treated by the West, they tend to destroy the effectiveness of all the propaganda and psychological warfare objectives of the United States. As a by-product of this fact, they also tend to discourage defection from among the Soviet and satellite military forces which is desired by intelligence agencies of the United States Government.

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9. The following conclusions are evident:

A. It appears that at least a partial solution to these problems may be offered in the "Hundred Million Dollar Fund." It must be noted, however, that a detailed and carefully documented psychological plan must be prepared to assure that no excess flow of disaffected or unwanted personnel from satellite countries results from the implementation of a plan to utilize these funds. It should also be noted that present United States policy considers that all persons of born fide Soviet nationality should be received, while only key satellite figures should be accepted, and it is suggested that the propaganda approach to the recruiting of such people, if the "Hundred Million Dollar Fund" is to be exploited, must be in consonance with this policy.

B. The President has the authority to make all or part of the funds available. It appears, however, that no single agency in the U. S. Government has competence to administer the entire program. The Department of State, the Department of Defense, SHAPE Headquarters, and CIA, as operating agencies, have a primary interest in this fund. It is suggested, however, that their several interests may best be served if a coordinated plan for the utilization of this money can be prepared. Informally, most of the agencies have agreed that the PSB may usefully perform this coordinating function.

C. In view of the very great psychological ramifications of any action taken, it appears that a large area of national psychological strategy in Europe will be affected and that any plans prepared should be very carefully coordinated to assure their consonance with the national psychological strategic objectives.

10. It is, therefore, **RECOMMENDED**

A. That the Psychological Strategy Board call a joint meeting of all agencies concerned with possible use of these moneys, and receive within a specified period reports on the current status of their several programs and requirements with respect to such moneys.

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B. That the Psychological Strategy Board provide a steering member to a panel directed to coordinate agency requirements and national strategic objectives.

C. That the

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C. That the Psychological Strategy Board prepare and submit to the President recommendations for the coordinated use of these moneys, in accordance with national strategic objectives.

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